

Internal Revenue Service

Department of the Treasury

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Person to Contact:

[REDACTED]

Refer Reply To:

CC:PSI:B01-GENIN-147014-02

Date:

Jan 31 2003

Dear [REDACTED]:

This letter responds to your letter dated July 29, 2002, regarding the sale of limited partnership units. Notwithstanding the fact that the sales price would be significantly less than the purchase price paid, the determination gain or loss on the transaction would include not only the amount received in exchange for the limited partnership units, but would include the relief of your share of partnership liabilities as well. Under section 752(b), any decrease in a partner's share of liabilities of the partnership shall be considered as a distribution of money to the partner by the partnership. This cash distribution would decrease the basis that you have in your limited partnership units, to the extent that this amount exceeds your basis, gain will be recognized.

While you characterize your limited partnership units as a "Tax Albatross," you must keep in mind that your basis was increased under section 752(a) by your share of partnership liabilities. This increased basis allowed you to take certain deductions in prior years which reduced your basis.

If you have any further questions please contact [REDACTED] at [REDACTED]

Sincerely,

/s/ David R. Haglund

David R. Haglund
Senior Technician Reviewer, Branch 1
Office of the Assistant Chief Counsel
(Passthroughs and Special Industries)